

# Growth of the Consumer Service Market

**T**HE strong rise in personal consumption expenditures for services in the first quarter of this year extended an uptrend which has been uninterrupted for 18 years. Since 1945 this advance, in addition to being both persistent and pronounced, has been notably steady in dollar terms. In 8 of the past 10 years the rise from the previous year has been within the range from just under \$5 billion to just over \$6 billion; in 1949 it came to \$3½ billion and in 1954 to \$4½ billion. Inasmuch as the level of service expenditures increased from \$40 billion in 1945 to \$91 billion in 1955, rather than constant dollar increases have meant that in percentage terms the rate of advance was larger during the immediate postwar years than in the more recent period.

With services accounting for over one-third of total personal consumption expenditures and nearly one-fourth of the entire gross national product, their regular advance has been a major force tending toward stable growth in the value of the Nation's output. This article discusses some of the factors underlying the trend of expenditures for services, and points out the sectors of the economy mainly affected.

## INFLUENCE OF INCOME AND PRICE MOVEMENTS

The postwar advance of service expenditures has been part of the broad expansion of total spending and income which has characterized the period. However, during these years dollar expenditures for services have risen more steadily, and over the period as a whole much more sharply, than either disposable personal income or consumer expenditures for commodities. From 1947—when production of durable goods had substantially recovered from wartime restrictions—to 1955 the service total increased by 78 percent. This compares with a 59 percent increase in disposable income, and was nearly double the 42 percent increase in spending for commodities.

These facts do not, however, warrant either the assumption of a long-term upward trend in spending for services relative to disposable personal income or to spending for commodities, or of more than a short-run, and quite limited, independence of service expenditures to changes in disposable income. The following considerations bear upon this conclusion.

### *Services below prewar income proportion*

In no postwar year was the ratio of personal consumption expenditures for services to disposable personal income as high as in any year of the prewar period from 1929 through 1940. The proportion of almost 34 percent in 1954 and 1955, highest of the postwar period, was still well below the 38.6 percent of 1929. Among the major groups of consumer expenditures shown in the usual classification by type of expenditure, service expenditures (summarized in table 1) comprised a higher proportion of disposable income in 1955 than in 1929 only for household operation, medical care, and private education. Comparison of the services with total personal consumption expenditures, rather than disposable income, yields similar results; from 1929 to 1955 services de-

clined from 40.6 percent of total consumption expenditures to 36.1 percent.

Prices of commodities dropped more than those of services in the early thirties and rose much more from then until shortly after the war, at which time they were substantially higher, relative to 1929, than service prices. Differences in these price movements are much less pronounced after 1933 when the comparison is made between commodities and services excluding housing.

The gap between service and commodity prices, as well as that between housing and other service prices, has narrowed in the postwar period. The cost of housing services climbed 36 percent between 1947 and 1955, the price of other services 28 percent, and commodity prices 12 percent. Despite these changes, the composite implicit price index for services in 1955 still stood only 48 percent above 1929—but 64 percent if housing is excluded—as compared with 69 percent for commodities.

When the expenditures data are adjusted for changes in prices, variations in the division of consumer spending between commodities and services as a whole are not marked, either as between 1929 and recent levels or within the postwar period. Services constituted the same percent of real spending (expressed in 1947 prices) in 1929 and 1954, slightly less in 1955. Thus the downward shift from 1929 in the current dollar expenditure pattern results from differential price movements as between commodities and services. Within the postwar period the increase in service expenditures as compared with commodities is also much dampened when both are expressed in constant prices.

Rental rates, which during the thirties had declined more and recovered less than other prices, were held in check by war and early postwar controls; although they have since risen more than consumer prices generally, they still are relatively low in comparison with 1929. For this reason, postwar expenditures for housing, though rising rapidly since the war in both current and constant dollar terms, still comprise a decidedly lower proportion of total current-dollar expenditures than in 1929; measured in constant dollars, however, the proportion is higher. The latter fact reflects the improved average quality, as well as the increased number, of dwelling units. In the past 2 years the advance in rental rates, though continuing, has been much more moderate than in the earlier postwar years, while the increase in "real" housing services has accelerated with the large volume of new housing entering into the housing stock.

If housing is excluded from the service totals, the relationship of expenditures for services to total expenditures is changed in both current and constant dollars. In current dollars, exclusion of housing reduces the drop in the importance of service outlays between 1929 and 1955; it was from 26 percent to 24 percent of total consumption. The latter proportion had risen from a low of less than 22 percent in 1947.

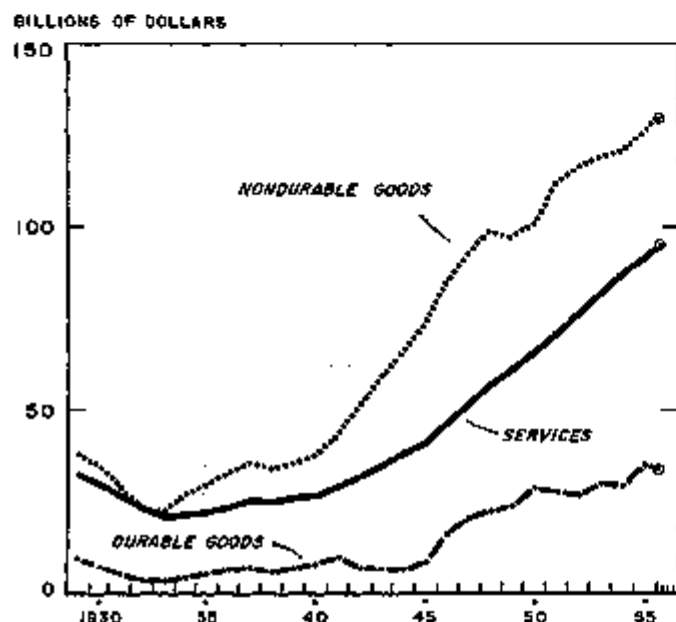
Indeed, when 2 reasonable adjustments to improve comparability from this standpoint are made in the consumption figures—the deletion of alcoholic beverages, which were illegal in 1929, and of brokerage charges and interest which, as a result of heavy trading, large borrowing on securities, and high interest rates, reached in 1929 an amount not since

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approached—the remaining service expenditures other than rent were about the same proportion of the remaining consumption as in 1929 even in current-dollar terms.

From 1929 to 1955 the real volume of services other than housing, expressed in 1947 prices, declined in relation to total consumer purchases about as much as the current dollar expenditures—from 25 percent to 22 percent. This constant-dollar ratio has, however, shown a rather notable stability in relation to total goods and services ever since 1936, coming, in round numbers, to 22 or 23 percent in each year except 1941, its low point.

### Personal Consumption Expenditures for Commodities and Services



\* First quarter 1956, seasonally adjusted, at annual rates

U. S. Department of Commerce, Office of Business Economics

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While personal consumption expenditures for services are relatively resistant to small and short declines in disposable income, in the major drop from 1929 to 1933 they fell by as much as 36 percent, as compared with 45 percent for commodities. In the brief but sharp 1938 recession they were reduced fractionally. In 1949 and 1954, when year-to-year increases in disposable income were small, the rise in service expenditures, though substantial, was less than in other postwar years.

In the case of certain service items there appears to be a lagging response to income declines. This may arise, in addition to more specific factors, either because commitments are made in advance which are not readily broken—as in the case of leases, or of school or hospital budgets prepared for a year ahead—or because the service expenditure represents a relatively small outlay necessary for the continued use of comparatively costly consumer commodities—as in the case of utilities.

### Postwar advance in part a delayed reaction

Against this background the steep advance in dollar service expenditures since 1947 appears, in broad terms, as a slow reaction to the upsweep in incomes and prices from 1941 to 1947, and to wartime restrictions on residential construction, superimposed upon the response to currently advancing incomes. In particular, the steep slope of the rise reflects a catching-up of the prices of services with those of

commodities. The strength of the uptrend in service expenditures during the postwar years operated also toward diminishing the response of service expenditures to short-term variations in the course of disposable income.

The sharp rise in incomes and commodity prices following the invasion of South Korea temporarily set back the movement in the direction of closing the gap between service expenditures and prices, on the one hand, and disposable income, commodity prices, and expenditures for commodities, on the other. More generally, as a result of the relative steadiness of their postwar advance the proportion of services in total consumption increased markedly in years when income rose but little; and increased less or, as in 1955, declined when income rose sharply; the converse, of course, was true of commodities.

By 1955 a clear gap from prewar experience, at least as represented by 1929, no longer existed in the importance of service expenditures other than housing in total consumption. Housing expenditures were still low, but only in current-dollar terms. There is, of course, no presumption that 1929 proportions are necessarily indicative of those which may become typical in a future situation.

### COMPOSITION OF POSTWAR GROWTH

Inasmuch as the aggregate of personal consumption expenditures for services is the composite of a myriad of different categories of expenditure, it would not be surprising if the near-constancy of its year-to-year advance since 1945 had resulted from the compensating effects of irregular movements in the individual series. In considerable measure this was, indeed, the case. At least equally important, however, has been the sustained upsweep of major categories which largely dominate the movement of the total.

Table 2 shows service expenditures, and the yearly increase in expenditures, reclassified to facilitate examination of the sources of the steady advance in service expenditures and the areas of the economy upon which they have had an impact.

### Services related to housing and durable goods

Housing alone accounts for one-third of the services total—nearly \$30 billion in 1954, the most recent date for which detailed estimates of personal consumption expenditures required for the derivation of table 2 are now available. In that year rent payments on tenant-occupied quarters, including hotel and similar accommodations, together with actual monetary ownership expenses involving purchases of goods or services by home owners absorbed over \$17 billion. An additional \$12½ billion consisted of property taxes, depreciation, and imputed net rent on owner-occupied dwellings, including farm houses.

Some \$4 billion, or 5 percent of all service expenditures, went for repairs and maintenance of consumer durables, including automobiles. Payments for electricity, gas, water, telephone, and other communications—expenses closely related to home occupancy and, in the case of electricity and gas, also to the use of consumer durables—absorbed nearly \$9 billion, or one-tenth of the total.

In all, one-half of the service expenditure total in 1954 represented housing services and expenditures associated with the operation of houses and consumer durables. As such, their growth has been closely related to the continuous increase of households and dwelling units, and of consumer holdings of durable commodities. The 143 percent increase from 1945 in these types of expenditures compares with increases of 114 percent for all services combined and 94 percent for total personal consumption. Year-to-year increases in this half of the service total have varied from \$2.3 to \$3.3 billion.

It may be noted that taxes, depreciation, and imputed net rent on owner-occupied homes accounted for about one-seventh of both the 1954 services total and the increase in the total from 1945 to 1954.

### Services competitive with commodities

In contrast to these groups, consumer expenditures for local and intercity transportation fares have been affected unfavorably by the growing reliance of travelers upon automobile transportation. Competition from the use of home appliances, by lightening the burden of household chores, has been a retarding factor in the advance of consumer spending for the care of clothing—especially for commercial laundering services—and for domestic servants. While other influences have also been important—particularly the limited availability of qualified household help—it is notable that the postwar advance in all 3 of these groups, which in varying degrees are competitive with rather than comple-

mentary to the use of consumer durables, has been much less than in consumer expenditures as a whole.

Year-to-year changes in these classifications have been irregular, with some declines occurring and cyclical influences evident. The 3 together, however, accounted for only about one-tenth of total service expenditures in 1954.

### Financial services

In addition to the service groups associated with housing and the use of consumer durables, 3 large categories—financial, institutional and professional services—which together account for more than three-fourths of the total have moved consistently, and strongly, upward throughout the postwar years.

Among these, the largest and, in the postwar period, fastest growing encompasses the costs of providing banking, insurance, brokerage, and other financial services to individuals, and of interest paid on consumer debt and brokers' loans. It does not include mortgage interest or insurance on residences, which are covered by housing expenditures.

A substantial part of the value of the services in this group is not matched by equal dollar outlays by individuals for the service as such but rather represents the costs of insurance, banking, and saving institutions in providing financial and related services to individuals.<sup>1</sup> The operation of these insurance and financial institutions has been characterized by rather steady growth in the postwar period.

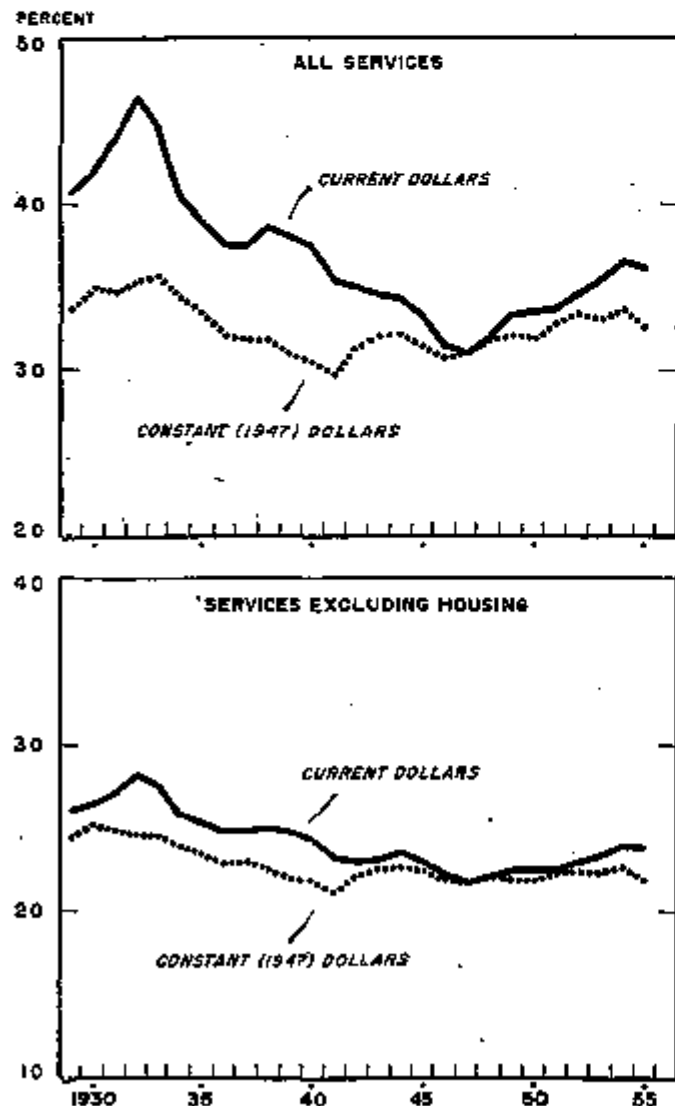
The "insurance, lending, and other financial services" group as a whole has risen substantially in each postwar year, with a total advance of 193 percent from 1945 to 1954. Year-to-year increases have varied from \$0.6 billion to as much as \$1.5 billion, with much of the variation due to the irregular rise in consumer interest payments, which increased especially sharply in 1950 and 1953, as well as in 1955.

### Institutions and professions

The current expenditures of private hospitals, schools, churches, clubs, unions, and social welfare and other institutions, which in 1954 amounted to \$9½ billion or almost one-ninth of the services total, increased by \$0.4 to \$0.7 billion a year in the period from 1945 to 1954—a total of 129 percent over the period. These institutions are consolidated with individuals in the personal sector of the national accounts; it is their current-account expenses, rather than their receipts from individuals in the form of contributions, dues, fees, and other charges which enter into personal consumption expenditures. While mainly financed by such receipts, many of these organizations also obtain funds from endowment income, and from contributions by corporations and governmental units.<sup>2</sup> Fluctuations in their receipts from individuals and other sources are to some extent cushioned by their ability—usually within rather narrow limits—to carry over funds from one year to another, and to borrow.

Total private contributions to philanthropy in 1954, as estimated by F. Emerson Andrews of the Russell Sage Foundation, amounted to approximately \$5.4 billion—about two-thirds more than in 1945. Rough data suggest that perhaps half of these contributions go to religious organizations and one-fifth to one-fourth to welfare agencies. Both of these groups are mainly dependent on private giving, as distinguished from dues, fees, or other sources of income upon which most other types of nonprofit organizations rely

Expenditures for Services as a Percent of  
Total Personal Consumption Expenditures  
Based upon current and constant (1947) dollars



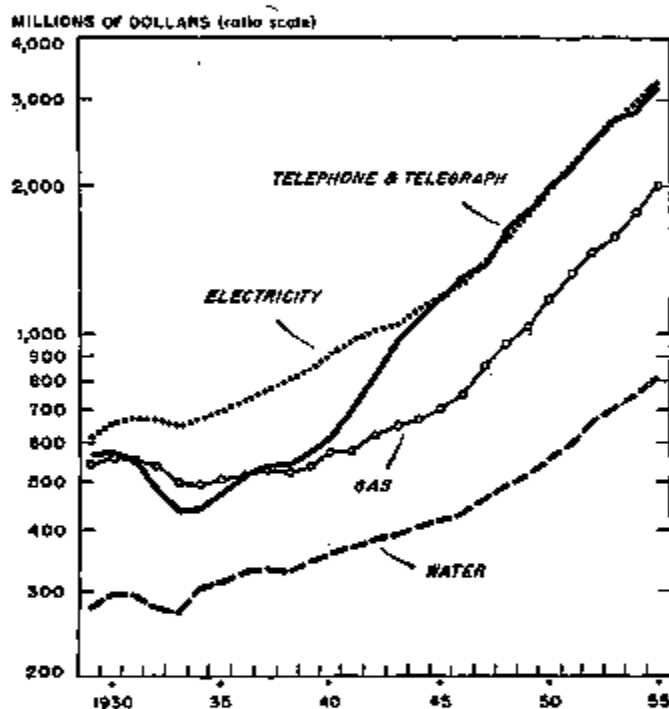
1. See *National Income*, 1954 edition, pp. 46-48 for a description of the treatment of these items in national income accounting.

2. In addition, receipts from sales of meals separately charged for, which are classified as consumer commodities, and from room rentals and admissions to athletic events, etc., which are classified in the housing or recreational service groups, are omitted from the total for this category in table 2. Food provided by nonprofit hospitals is included.

heavily. Though mainly from individuals, about 7 percent of private contributions come from corporations. These rose from \$58 million in 1941 to \$400 million in 1954. Approximately two-fifths of contributions received by Community Chests in 1955 came from corporations and other business firms.

Payments for the services of lawyers, the various independent curative professions, and veterinarians also increased regularly in the postwar years—somewhat more rapidly in the immediate postwar period, when professional persons were being released from the armed services, than more recently. From 1945 to 1954 expenditures for the services of independent professionals increased by about the same percentage as total personal consumption expenditures.

### Consumer Expenditures for Utilities



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### Other categories

Of the 2 remaining service groups, one—expenditures and remittances abroad—has risen very sharply from a war-reduced level in 1945, while the “other services” category showed a much less than average rise of 44 percent from 1945 to 1954, and half of even that increase had occurred by 1947. This group consists of admissions and charges for commercial amusements, and of barber and beauty shop services, burial and death expenses, and a few miscellaneous service items.

### INDUSTRY IMPACT OF SERVICE ADVANCE

Much more than is the case with commodities, the sectors of the economy mainly affected by the course of service expenditures are those which deal directly with the consumer; that is to say, the ratio of value added to gross value of product is typically high in the provision of consumer services. The classification utilized in table 2 is fairly appropriate for identifying these sectors.

It should be stressed, however, that in few cases do receipts from consumers represent the only source of income

for particular industries; frequently they are not even the major source. For example, lawyers in independent practice derive about half and veterinarians two-thirds of their gross receipts from business; consumer expenditures represent only a portion of intercity passenger fares and, in the case of the railroads, only a small fraction of total revenues.

Among the categories of table 2, only the repair and care of consumer durables and of clothing and the “other services” consist predominantly of expenditures at commercial service establishments in the narrowest sense, or at retail establishments providing similar services as a secondary activity (e. g., watch repair by jewelry stores). These groups accounted for \$13½ billion, or 16 percent, of total service expenditures in 1954. Expenditures for these groups were 77 percent above 1945 and only 28 percent above 1947—much less than total consumer spending. While generally upward, the course of these expenditures was not, moreover, more regular than that of total consumer spending. It is noteworthy that national income originating in the industries most affected—personal services, motion pictures, and other amusements—has risen less proportionately since 1945 than in the private economy as a whole; the same is true of employment.

Several of the important groupings of table 2—utilities and communications; insurance, lending, etc.; purchased transportation; and services of independent professionals—were set up in accordance with the industry groups providing the services involved, which are self-evident from the titles. Their postwar trends, which in the first 2 groups were particularly strong, and in the third rather weak, have already been indicated.

### Purchases outside usual business channels

The remaining service groups cover expenditures which do not represent primarily purchases from domestic business enterprises of the usual types.

The direct impact of rising institutional expenditures, while involving sizable purchases of goods and services from business enterprises, was in major part on the payrolls of these organizations themselves. From 1945 to 1954 the compensation of employees of nonprofit organizations increased, by quite steady dollar increments, some 161 percent—much more than in the private economy as a whole; their employment, computed on a full-time equivalent basis, had reached 1.7 million by 1954. Growth of these activities has also been responsible for sizable investment outlays; construction, alone, of private hospitals, educational and religious buildings, and other institutional structures is currently running well over \$2 billion a year.

Expenditures for domestic service, also affecting employment and payrolls outside the business sector, have risen relatively little in the postwar period. The sharp increase in expenditures and remittances abroad includes fares paid to United States international air and ship lines, but otherwise has affected American business only indirectly. Developments in this field will be reviewed in detail in next month's SURVEY.

Of the nearly \$30 billion of personal consumption expenditures for housing in 1954, about \$27 billion consisted of the space rental value (i. e., rent less the cost of facilities and utilities included in rent) of tenant-occupied and owner-occupied nonfarm dwellings. The disposition of the comparable space rental amount for 1952 may be computed from estimates published in the June 1953 Survey, as follows: taxes, 21 percent; depreciation, 13 percent; interest, 13 percent; maintenance and repair, 17 percent; insurance and miscellaneous expenses, 7 percent; and net rent, 29 percent. Of the net rent figure, something over one-third represented

monetary income from tenant-occupied houses and nearly two-thirds imputed income.

From these estimates it is apparent that the sharp rise in personal consumption expenditures for housing was largely absorbed in the gross value added to product in the real estate industry—construed broadly, as in the national income accounts, to include the operation of both tenant-occupied and owner-occupied houses. An important amount went, along with expenditures for modernization and enlargement, to swell the "fix-up" market for building supplies and labor.

### SERVICE EXPENDITURES BY TYPE

The remainder of this article discusses in greater detail developments in the more important of the service components. The classification of expenditures followed is that summarized in table 1, and presented in much greater detail in table 30 of *National Income*, 1954 edition, and the July 1955 SURVEY.

#### Clothing and personal care

Outlays for clothing services, consisting principally of cleaning and pressing, laundering, and shoe repair, and for personal care—services of barber shops, beauty parlors, and baths—have increased less than total personal consumption expenditures in the postwar period.

The cleaning and pressing item covers also dyeing, alteration, and repair of garments (including furs) and, like laundering, includes the care of such household accessories as draperies or linen. While in 1929 outlays for these 2 services were about equal, by 1955 consumer expenditures for cleaning and pressing were about 85 percent greater than for laundering. If allowance is made for greater cyclical variability in

cleaning and dyeing during the thirties, it has shown a stronger trend than laundering ever since 1929; even so, since 1947 the increase has been less than in total consumption.

Expansion in the use of home laundry equipment, evident in the thirties and accentuated in the postwar period as ownership of automatic washers and dryers became widespread and home ownership more general, has adversely affected the demand for laundering outside the home. To the limited increase which has occurred, receipts of self-service laundries have contributed importantly, in recent years reaching about one-seventh of consumer expenditures for laundry services; diaper service has also increased. A small but growing share of laundry work is being done by dry cleaning establishments, while cleaning is becoming more important as a source of revenue for power laundries.

Services of barber shops, beauty parlors and baths have risen less since 1929, and particularly since 1945, than most other services although there is some evidence of improvement in the last 3 years. The introduction and rather extensive use of home permanents contributed to the slow rate of growth in the postwar period.

On a per capita basis, the growth since 1947 in expenditures for laundering, barber shop and beauty parlor services, and shoe repairs has been less than the increase in prices, indicating that real per capita consumption has decreased. The relative weakness of consumer expenditures in this area was accompanied by an almost continual decline in employment in the personal service industry after 1947.

#### Housing

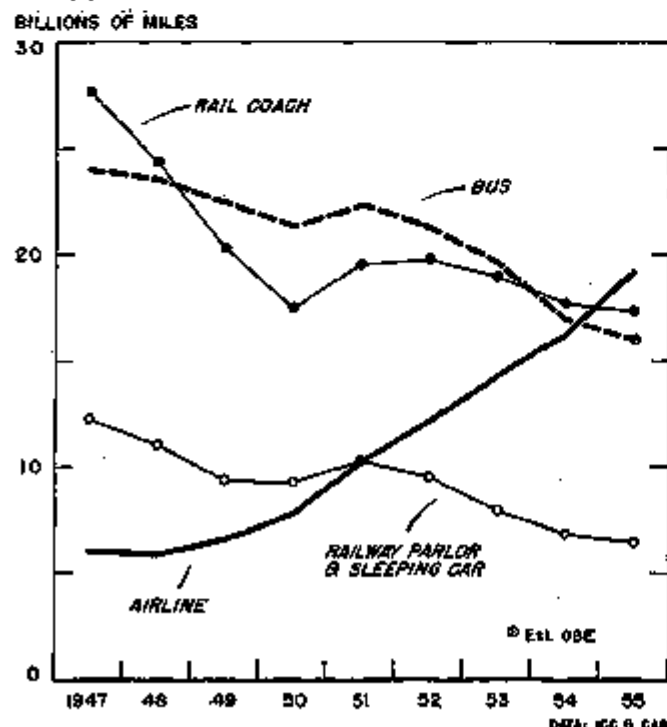
Rents, as previously noted, currently absorb less of each dollar spent by consumers than in 1929, but since 1947 the proportion has been rising. The advance since 1947 has been most pronounced in the rental value of owner-occupied homes. The number of owner-occupied homes rose 30 percent from 1947 to 1955, while the number of rental dwellings rose about 23 percent. The quality of the housing stock was also improved. During this period the Bureau of Labor Statistics index of rental rates increased 38 percent. A detailed review of developments in the field of rent was contained in the June 1953 SURVEY.

In addition to nonfarm housing, personal consumption expenditures for housing include the rental value of farm houses—both owner and tenant occupied—and a miscellaneous "other" group composed of hotels, tourist courts, and clubs, schools, and institutions. With the number of farm dwellings declining substantially, the increase in farm rents since 1947, though sizable, has been less than in the nonfarm component.

Consumers' payments for room rental at hotels, tourist courts, and clubs, schools, and institutions in 1955 were about 4 times as high as in 1929, with almost nine-tenths of the increase occurring after 1945. Expenditures for rooms in tourist courts and motels contributed most to this rise, their advance having been made possible by a major expansion of facilities. The rise in the hotel portion of almost 185 percent since 1945 was occasioned principally by the rise in room receipts of seasonal hotels from a very low level of activity in 1945.

The growth in consumer expenditures for rooms in hotels and tourist courts taken alone do not indicate economic conditions within the industry. Although most of the room receipts of seasonal hotels and tourist courts are received from consumers, this is not the case in year-round hotels. The percentage of rooms occupied in year-round hotels declined persistently (after 1946) but room receipts rose by one-half

Intercity Revenue Passenger-Miles, by  
Type of Carrier



over the 1945-55 period, mainly because of rate increases. Meal and beverage sales account for a large part of total hotel sales. In year-round hotels receipts from meals and beverages have shown much less growth than room receipts.

### Household operation

Outlays for household utilities, including electricity, gas, water, and telephone service, currently comprise about two-thirds of household operation services. All exhibit substantial long-term growth trends and, in the postwar period, have risen more than disposable income.

The number of residential telephones in use increased almost 75 percent from 1947 to 1955, while the number of residential customers for electricity and gas rose 43 and 32 percent, respectively. During this expansion, the prices of these services as a group rose considerably less than the general average of consumer prices.

Data collected by the Edison Electric Institute show that more than 120 billion kilowatt hours of electricity were purchased by residential users in 1955. This represents about 25 percent of total energy sales to ultimate customers by the industry and is greater than the comparable figure for sales to all classes of customers in 1940. Since 1943 residential sales have been growing at a faster rate than sales to other classes of customers—having increased 321 percent by 1955 compared to 129 percent for sales to all other customers. Similarly, revenues from residential sales have grown at a faster rate than those from other sales and in 1955 accounted for 40 percent of the total.

The tremendous growth in the use of home electrical appliances has resulted in increased consumption per customer and lower average cost per unit of electricity consumed. Because of this lower unit cost, consumption of electricity has increased more than is reflected in current-dollar data. In the 1947-55 period the average number of kilowatt hours used per residential customer rose 91 percent while the average annual bill increased from \$44.43 to \$72.63 or 63 percent. This means that the cost per kilowatt hour used declined 15 percent, although the price of electricity, a component of the Bureau of Labor Statistics Consumer Price Index, increased about 7 percent over this period. The decrease in cost in spite of the increase in price reflects mainly the fact that, within specified limits, as more electricity is used per customer the unit cost declines.

Consumption of gas has similarly shown notable expansion. The increase of 32 percent in the number of residential gas customers between 1947 and 1955 was accompanied by a rise of about 88 percent in the average amount of gas used per customer and an increase of 8 percent in the unit cost of gas consumed. The rise in gas consumption per customer is largely due to the increase in the number of homes which use gas for house heating. Since 1949 the number using gas for this purpose has more than doubled. The growth in the share of the market for house heating which is met by gas has added to the total of service expenditures as compared with the commodity total.

Expenditures for telephone service more than doubled in the 1947-55 period, while the percentage of households having telephones grew from 55 percent to more than 70 percent. Local telephone service, which represents the bulk of consumer expenditures for telephone service, has increased more in price than electricity or gas.

About \$3 billion is currently spent for household help, including the value of food furnished in kind. Expenditures in 1955 were only 85 percent more than in 1929 and 35 percent more than in 1947. Use of domestic service, as indicated by employment data, declined by more than one-fourth from 1929 to 1955, and in the latter year was only slightly higher than in 1945 or 1947; however, it still represented one-fourth of all persons employed in the service industries proper. Domestic servants experienced a smaller increase in average pay during these periods than employees in other service industries.

About 11 percent of household operation services is composed of a group of miscellaneous items including the repair of household goods, postage and express charges, fire and theft insurance, and moving expenses and warehousing. These items have shown notable growth since both 1929 and 1947 with the repair of household items, which amounted to nearly \$600 million in 1955, accounting for most of the rise.

### Medical care

Perspective on personal expenditures for medical care service is enhanced by considering them in the framework of the Nation's total medical care expenditures, including both services and commodities.

It is estimated that, aside from construction costs and expenditures by industry, about \$14 billion was spent from

Table 1.—Personal Consumption Expenditures for Services, by Major Expenditure Categories, for Selected Years  
(Billions of dollars)

	1929	1933	1937	1941	1944	1945	1946	1947	1948	1949	1950	1951	1952	1953	1954	1955	Percent change		
																	1929 to 1955	1945 to 1955	1947 to 1955
Total services.....	22.1	26.7	35.1	59.0	57.7	49.4	46.2	61.3	58.7	60.1	65.8	79.1	75.7	81.8	86.4	91.2	384	136	75
Clothing, accessories, and jewelry.....	1.3	.6	.9	1.2	1.8	2.0	2.5	2.7	2.8	2.8	2.8	3.0	3.1	3.2	3.2	3.2	153	60	17
Personal care.....	.5	.9	1.2	1.6	1.8	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9	107	50	30
Housing.....	11.4	7.0	8.4	10.0	11.9	12.4	13.0	15.4	17.4	19.4	21.4	23.4	25.0	27.0	29.8	31.2	173	131	102
Household operation.....	4.0	2.8	3.7	4.3	6.0	6.4	6.7	7.4	8.0	8.5	9.4	10.3	11.1	12.1	12.8	13.6	237	112	83
Medical care and health expenses.....	2.8	1.0	2.5	2.9	4.0	4.3	5.2	6.0	6.5	6.9	7.4	7.8	8.4	9.0	9.5	10.1	260	137	10
Personal business.....	5.1	2.0	3.7	3.9	4.1	4.4	5.0	5.7	6.5	7.1	8.2	8.7	9.4	10.0	11.4	12.5	146	182	110
Transportation.....	2.8	1.5	2.0	2.4	3.7	4.0	5.1	5.6	6.0	6.3	6.8	6.4	6.8	7.3	7.8	7.4	180	84	35
Recreation.....	1.7	1.1	1.6	1.8	2.7	3.0	3.7	3.8	3.8	3.9	4.0	4.1	4.2	4.4	4.6	4.9	188	94	20
Private education and research.....	.7	.5	.6	.7	1.0	1.0	1.2	1.4	1.6	1.9	2.0	2.1	2.3	2.4	2.6	2.6	322	187	96
Religious and welfare activities.....	1.2	.0	.9	1.1	1.7	1.7	1.9	2.0	2.3	2.3	2.5	2.6	2.8	3.0	3.2	3.4	194	96	67
Expenditures and remittances abroad.....	.9	.4	.6	.8	.4	.4	.7	.8	.9	1.0	1.1	1.1	1.3	1.4	1.4	1.5	63	249	96
Adjustment for foreigners' expenditures in the United States.....	-.1	-.1	-.1	-.1	-.2	-.2	-.3	-.4	-.3	-.4	-.4	-.5	-.6	-.6	-.6	-.7	363	245	36
Addendum:																			
Total personal consumption expenditures.....	70.0	86.4	107.3	151.9	169.8	151.7	146.6	165.0	177.6	180.6	194.0	208.3	228.3	239.6	256.5	252.3	230	107	53
Disposable personal incomes.....	83.1	85.7	111.9	133.0	146.6	136.4	133.2	165.0	187.6	188.2	206.1	228.1	238.7	258.4	254.8	249.3	234	79	59

Source: U. S. Department of Commerce, Office of Business Economics.



public and private funds for health and medical care supplied the civilian population in 1954. Of this amount consumer expenditures represented about 76 percent and Government expenditures 24 percent. The Government portion—covering Federal, State and local expenditures, inclusive of veterans, maternal and child health care, and research—had grown from 12 percent in 1929 and 19 percent in 1947.

Services accounted for \$8.4 billion of the \$10.6 billion spent by consumers in 1954 for medical care. Of total consumer expenditures in this area, privately controlled hospitals and physicians' services comprised 54 percent; administrative and other net costs of medical care and insurance, including accident and health insurance, 10 percent; dentists' services, 9 percent; and other professional services, 6 percent. Commodities accounted for the remaining 21 percent. The service total described here differs from that shown in table 1 for 1954 in that it does not include \$1.2 billion for funeral and burial expenses.

Expenditures for physicians' services tripled and those for dentists' services doubled from 1929 to 1954, with something under half of the increase in each case occurring after 1947. Both the overall increase and the postwar increase in physicians' services differed but little from the percentage change in total consumer expenditures, while the advances in expenditures for dental services were much smaller in each period. The series on expenditures for physicians' services currently represents approximately nine-tenths, and that for dentists nearly all, of the total gross income received by physicians or dentists from independent practice.

The Census of Population reported a decline in the numbers of doctors and dentists in independent practice between 1940 and 1950, although the number in salaried work and the total numbers increased.

Total operating expenses of all hospitals, as reported by the American Hospital Association, amounted to \$5.2 billion for the year ending September 30, 1954, with the total about equally divided between governmental (including military) hospitals and nongovernmental hospitals; only the latter are included in personal consumption expenditures.

Privately controlled hospitals, which have 30 percent of the total bed capacity, are for the most part nonprofit and are principally devoted to the care of illnesses requiring short-term hospitalization. Long-term care, such as is required for nervous and mental cases, and tuberculosis, is provided mainly by Government hospitals.

Data on personal consumption expenditures for privately controlled hospitals and sanitariums measure the sum of the

operating expenses (including depreciation) of nonprofit hospitals and payments by patients to proprietary hospitals; they differ little from operating expenses (including depreciation) of all private hospitals.

The hospital care item has shown one of the strongest trends among all the large items of consumer expenditures. It has increased more than any of the other medical care services since 1929, and by 1954 was 600 percent above 1929 and double the 1947 level.

Patient income (including amounts paid by insurance plans) equaled 90 percent of the income of nonprofit short-term general and special hospitals in 1954—the remainder coming from gifts and bequests, and from grants, including Government payments.

The number of admissions to nonprofit short-term general and special hospitals increased from 10.9 million in 1947 to 13.5 million in 1954 and the average length of stay declined from 8.1 to 7.5 days. The expense per patient day rose 93 percent and reached nearly \$23 in 1954 as compared to almost \$12 in 1947. However, because the average length of stay had declined, the expenditure per patient stay showed less of an increase—79 percent. During this period, a constantly rising percentage of hospital bills were met by insurance.

Personal consumption expenditures for medical care and death expenses include the net costs of medical care insurance, as measured by the excess of insurance premiums paid over the total benefits received by the insured. This excess represents mainly the administrative costs of the insurance programs and covers some services rendered by physicians in prepayment medical service plans. It covers voluntary private insurance against medical care costs and income loss due to illness provided by commercial plans, Blue Cross, Blue Shield, and other nonprofit plans, and private group clinics with prepayment plans. Total subscription charges or premiums earned amounted to \$3.8 billion, while benefits paid reached \$2.8 billion in 1954. Of the benefits \$2.2 billion were for medical care (about two-thirds for hospitals and one-third for physicians' services) and \$0.6 billion for income loss. It is estimated that in 1954 slightly less than half of hospital receipts from patients and about one-quarter of physicians' receipts from patients were covered by insurance.

Medical care insurance has expanded greatly in the postwar years, and the net claims series represents one of the most rapidly rising components of personal consumption expenditures.

Table 2.—Postwar Growth of Personal Consumption Expenditures for Services, by Major Sources

(Billions of dollars)

	Expenditures										Change from preceding year									
	1945	1946	1947	1948	1949	1950	1951	1952	1953	1954	1946	1947	1948	1949	1950	1951	1952	1953	1954	
Total services.....	40.4	46.2	51.3	50.7	60.1	65.8	70.1	75.7	81.8	86.4	5.9	6.1	5.4	3.5	4.9	6.1	5.5	0.2	4.5	
Monetary housing expenditures.....	7.0	8.2	9.8	11.1	12.0	13.1	14.1	15.3	16.4	17.2	1.2	1.6	1.4	.9	1.1	1.0	1.2	1.1	.8	
Taxes, depreciation, and imputed net rent on owner-occupied homes.....	3.4	6.4	5.7	6.4	7.4	8.3	9.2	10.3	11.5	12.6	.0	.3	.7	1.0	.8	1.0	1.1	1.2	1.1	
Utilities and communications.....	3.8	4.0	4.4	4.0	5.3	6.0	6.6	7.3	8.1	8.7	.2	.4	.5	.4	.8	.7	.7	.7	.7	
Repair and maintenance of consumer durables.....	1.4	2.3	2.7	2.0	2.9	3.1	3.5	3.8	4.1	4.3	.9	.5	.8	.0	.2	.4	.3	.3	.1	
Care of clothing.....	1.9	2.3	2.5	2.6	2.6	2.7	2.9	2.9	3.0	3.0	.4	.2	.1	.0	.0	.1	.1	.1	.0	
Purchased transportation.....	2.0	3.1	3.1	3.2	3.1	3.0	3.2	3.3	3.4	3.2	.2	.0	.1	.0	.0	.2	.1	.0	-.1	
Domestic service.....	2.1	2.1	2.8	2.4	2.4	2.7	2.6	2.6	3.1	2.9	.0	.6	.0	.0	.3	.2	.0	.2	-.2	
Insurance, lending and other financial services.....	4.1	4.9	5.0	6.6	7.0	8.2	8.7	9.0	11.1	12.1	.8	.7	.9	.0	1.1	.0	.9	1.6	1.0	
Expenditures of schools, hospitals, clubs and institutions.....	4.1	4.7	5.4	6.1	6.5	7.1	7.8	8.3	8.8	9.4	.6	.7	.6	.4	.6	.6	.5	.6	.6	
Services of independent professionals.....	8.0	3.0	4.1	4.5	4.7	4.9	5.1	6.3	5.8	5.9	.0	.4	.4	.2	.2	.3	.3	.3	.2	
Expenditures and remittances abroad.....	.4	.7	.8	.9	1.0	1.1	1.1	1.3	1.4	1.4	.3	.1	.1	.1	.1	.0	.2	.1	.1	
Other services (largely from commercial service establishments).....	4.4	5.2	5.8	5.4	5.5	6.3	5.7	5.9	6.1	6.3	.8	.2	.1	.0	.0	.2	.2	.2	.3	
Adjustment for foreigners' expenditures in the United States.....	-.2	-.3	-.4	-.3	-.4	-.4	-.5	-.6	-.6	-.0	-.1	-.1	.0	.0	.0	-.1	.0	.0	.0	

Source: U. S. Department of Commerce, Office of Business Economics.

## Personal business

The personal business group increased more between 1947 and 1955 than any other major service group. Conversely, between 1929 and 1947 the group had increased less than any other group except the foreign travel item, which declined. Although during the earlier period the group total was affected by the drastic drop in brokerage charges from the 1929 level of \$1.7 billion, even when brokerage charges are excluded the group increased less than all others except housing.

Almost 75 percent of the group in 1954 was comprised of interest on personal debt (\$3 billion), services furnished without payment by financial intermediaries, except life insurance companies (\$2.9 billion), and the expense of handling life insurance (\$2.6 billion). The remainder was made up of legal services (\$1 billion), brokerage charges and interest and investment counseling (\$0.6 billion), bank service charges, trust services, and safe deposit box rental (\$0.5 billion), and a miscellaneous group (\$0.7 billion). The latter item includes net payments to labor unions, employment agency fees, payments to professional associations, money order fees, classified advertisements, etc.

Interest on personal debt, which represents nonmortgage interest, more than tripled between 1947 and 1954, a period of considerable expansion in consumer credit, and increased sharply in 1955. Almost 95 percent of the interest item is currently composed of interest on installment credit held by financial institutions and automobile dealers, and single payment loans.

The expense of handling life insurance increased by approximately 25 percent from 1929 to 1945 and by 136 percent from 1945 to 1954. During the entire period the dollar value of life insurance in force more than tripled—almost four-fifths of the increase occurring after 1945. Operating expenses were also affected by the rise in general price and salary levels, and by the increase in new business, which involves commissions and other special costs. Sales of life insurance by United States companies reached almost \$52 billion in 1954 as compared to less than \$16 billion in 1945 and almost \$18 billion in 1929.

The expenses of banks and savings institutions in providing services, with or without explicit charges, to individual depositors increased 90 percent between 1947 and 1954 and accounted for about 30 percent of the personal business group in the latter year. Explicit service and other charges account for a larger part of this total than in 1929.

Expenditures for personal legal services increased by more than 150 percent in the 1929-54 period, almost three-fifths of the rise having occurred after 1947. Like service expenditures as a whole, they have increased less than disposable income or total consumer expenditures since 1929, but more since 1947.

## Transportation

The composition of service expenditures in the transportation field has changed markedly over the past quarter century, as services related to the operation of automobiles have outstripped passenger fares on public carriers. In 1954, consumer expenditures for automobile servicing, repair, and parking, automobile insurance (premiums minus claims), and tolls reached an estimated \$4 billion, an amount almost  $4\frac{1}{2}$  times that spent in 1929 and almost two-thirds greater than in 1947. The expenditure for these services in 1954 was one-fourth more than individual consumers spent on all purchased local and intercity transportation. In 1929, in contrast, consumers spent four-fifths more for purchased transportation than for these services.

Dollar consumer outlay for purchased intercity transportation amounted to \$1.1 billion in 1954, somewhat more than double 1929. Expenditures for railroad transportation (excluding commutation) and sleeping and parlor cars had increased only 5 percent over this quarter century, while those for airline travel, which was in its infancy in 1929, and for bus transportation had risen very sharply.

Since the World War II period—when, with gasoline rationing in effect, expenditures for all forms of local and intercity transportation except railway commutation reached unprecedented amounts—expenditures for railroad travel have fluctuated, but remained continually below wartime levels. From 1952 to 1954 expenditures both for railroad travel and for bus fares (which until that time had held fairly close to the wartime peak) declined considerably. Preliminary estimates indicate that expenditures for bus transportation continued the downward trend in 1955, but those for railroad transportation rose slightly. Comparable data for airlines show rapid increases from year to year throughout the postwar period.

Because of differential price movements, changes in the type of carrier used for purchased intercity travel are even more striking when viewed in terms of revenue passenger-miles, which are shown in the accompanying chart. It should be pointed out that the data charted pertain to total passenger-miles, including business and Government as well as consumer travel. Between 1947 and 1955 revenue passenger-miles of scheduled airlines increased 220 percent. Comparable figures for railroad coach travel (excluding commutation) show a decline of 37 percent, for parlor and sleeping cars of 47 percent, and for buses an estimated 34 percent. Much of the growth in airline passenger-miles in this period has been in the air coach service, which in 1955 accounted for more than one-third of the industry total.

Expenditures for purchased local transportation continued to rise in the immediate postwar period and have shown little change in the last several years. Railway commutation revenues have increased markedly throughout this period while passenger revenues of taxicabs and street and electric railways and local buses have been relatively stable. The number of revenue passengers of street and electric railways and local buses declined by about one-half between 1947 and 1955, while the average cash fare rose by 80 percent. Taxicabs have experienced a smaller decline in the number of passengers, and this has been offset in their revenues by longer trips and increased rates.

## Recreation

Expenditures for recreational services increased sharply during and immediately after World War II but since have experienced a less-than-average growth. The recreation group in table 1 is somewhat narrowly defined in that it does not include amounts spent for vacation travel or certain other items which are often considered as recreation expenditures but here are classified elsewhere.

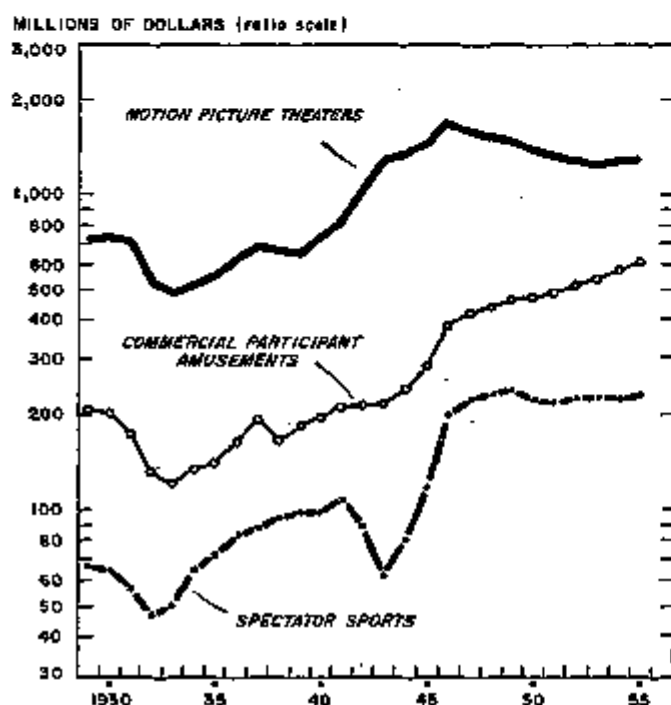
The relatively small increase in recreation expenditures since 1947 has been due mainly to the postwar decline in motion picture theater admissions, which are the largest single service item in the group. Recreation services excluding motion picture theaters rose more than total consumption expenditures between 1947 and 1955; radio and television repair were particularly important in this movement.

Shifts in consumer demand within the recreation area are indicated in the expenditure data. Motion picture theater admissions reached a peak of \$1.7 billion in 1946, almost  $2\frac{1}{2}$  times the amount spent in 1929. A steady decline through 1953 followed by a rise in 1954 and 1955 had reduced these expenditures almost 25 percent. The decline in motion



picture attendance since 1946 was greater than the drop in box office receipts, since the index of admission prices had risen 30 percent by 1955. Combined admissions to legitimate theaters, operas, and concerts, and entertainments of nonprofit institutions have increased moderately in postwar years.

## Consumer Expenditures for Selected Recreational Services



U. S. Department of Commerce, Office of Business Economics

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The data indicate that between 1929 and 1947 there was a growing preference for spectator sports, particularly baseball, professional football, and horse and dog racing. By 1947, the amount spent for admissions to these amusements, together with professional hockey, college football, and other amateur spectator sports, was more than triple that in 1929. Since 1947, on the other hand, these expenditures have been rather stable in dollar terms. Major league baseball attendance, which had more than doubled between 1929 and 1948 when it reached 21½ million, declined by one-third in the 1948-53 period. In the last 2 years this downward trend was reversed and in 1955 attendance recovered to 16.6 million. Minor league attendance, numbering 19 million in 1955, has shown a continual decline from a high point of 42 million in 1949, when almost twice as many leagues were operating. Professional football attendance, also affected by a decline in the number of teams, dropped substantially between 1947 and 1950, but has since improved annually.

Pari-mutuel net receipts—the amount of revenue retained by the States and tracks from pari-mutuel wagering—amounted to more than \$425 million in 1955 and have increased more since 1929 than any other recreation item. As more States have legalized racing and pari-mutuel betting, an increasing number have levied pari-mutuel taxes. The number now stands at 24, having doubled in the last 20 years. The amount wagered has not increased as much proportionately as the net receipts from these operations. The percentage “take” has been gradually increased by the levying of higher taxes and by raising the amounts to which breakage is calculated. In 1955 admissions to horse racing

events numbered about 38.5 million and approximately \$2.6 billion was wagered through pari-mutuel machines—a billion dollars more than in 1949. Of the total amount wagered through the machines in 1955, 80 percent was placed at thoroughbred tracks, 18 percent at harness tracks and 2 percent at county and State fairs.

Expenditures for commercial participant amusements, i. e., at bowling alleys, billiard parlors, amusement devices and parks, riding, skating, and swimming places, and the like, doubled from 1929 to 1947 and, unlike admissions receipts from most spectator sports, are estimated to have shown a steady increase since that time.

## Private education and research

Expenditures for private education and research in 1954 were almost 4 times those of 1929; of the increase about 85 percent occurred after 1945. Current expenditures by private elementary and secondary schools by 1954 were more than 3 times, and by private institutions of higher education 2½ times, as large as in 1945.

Expenditures by private institutions represent about one-fifth of total public and private school expenditures—about 12 percent at the elementary and secondary level and 44 percent at the college level. The private higher education sector has shown less growth since 1929, and particularly in the postwar period, than the public sector. On the other hand, at the elementary and secondary levels private school expenditures have increased somewhat more than those of public schools.

Enrollments in private elementary and secondary schools increased from 2.9 million in the 1945-46 school year to 4.3 million in 1954-55. Over nine-tenths of these enrollments are in church affiliated schools. Approximately one-eighth of all pupils were enrolled in nonpublic schools in 1954-55, as compared with one-ninth in 1945-46 and one-eleventh in 1930 and 1940. An increase of about one-fifth in total (public and private) elementary and secondary enrollment from 1954-55 to 1959-60 has been projected by the Office of Education.

The 1.2 million students enrolled in private institutions of higher education in the 1954-55 school year represent an increase from 0.8 million in 1945-46. The 44 percent of total higher education enrollment in private institutions during the last school year compared with 50 percent in 1945-46. An increase of nearly one-fourth in total higher education enrollments has been projected by 1960 but, if the trend toward a rising proportion in publicly controlled institutions continues, the rise in private institutions would, of course, be less.

Privately controlled institutions of higher education have traditionally depended mainly on income from student fees, endowments, and private gifts and grants. In 1951-52, the latest school year for which such data are available, 47 percent of educational and general income of these institutions was obtained from student fees, including 10 percent from veterans' tuition and fees paid by the Federal Government. An additional 16 percent received from the Federal Government was mainly for research. Endowment earnings supplied 11 percent, private benefactions 14 percent, and State and local governments 4 percent. The remainder came from sales and services of instructional departments and organized activities, and incidental sources.

The percentage received from student fees had declined from 53 percent in 1939-40. Greater relative declines in the percentage received from endowments and gifts had occurred during these years. On the other hand, the percentage received from the Federal Government had grown from less than 1 percent in the earlier period.

In addition to expenditures of almost \$2 billion in 1954 by private schools of the types discussed above, more than \$600 million was paid in fees to commercial, trade, and correspondence schools, and to teachers of dancing, music and the like, or spent by foundations for education and research. The total for these items has almost doubled since 1947, the greatest growth having occurred in the foundation item.

### *Religious and welfare activities*

Current operating expenditures of religious bodies and private social welfare agencies are estimated at \$3.4 billion in 1955; they have risen less since 1929 but more since 1947 than total consumption. The largest portion of these expenditures consists of the costs of religious organizations for the operation and maintenance of churches, including the salaries of ministers, janitors, secretaries, and other paid

personnel, and for the operation of home and foreign missions. It is estimated that religious organizations employ about one-quarter million persons (computed on a full-time equivalent basis) and pay close to \$1 billion in wages and salaries.

Voluntary welfare agencies play a significant part in the over-all social welfare picture. Most expenditures in this area are made by organizations which are local in character, such as community chest agencies. Outlays by the American National Red Cross, the largest of the voluntary national organizations, and the various foreign relief agencies, while still substantial, constituted a larger share of the total during and immediately after World War II than more recently.

Both religious and welfare agencies, unlike nonprofit hospitals and educational institutions, are supported principally by individuals' contributions, rather than payments in the form of fees.

## *National Income and Product—A Review of the First Quarter*

(Continued from p. 5)

workers in the durable goods industries. The latter was due primarily to the reduction in automobile output. Further advances in the primary metals and nonelectrical machinery industries offset a sizable part of this decline; changes in the other hard goods industries were small. Movements were also small in the nondurables industries, with increases and decreases about equally prevalent.

In total, there was little change in manufacturing employment from the fourth quarter to the first. The length of the workweek was reduced, although hours in some key industries remained at their advanced fourth quarter levels, and the overall average still reflected a considerable amount of overtime work. Average hourly earnings continued to edge upward.

Government payrolls reflected a further moderate increase in State and local payments for both school and nonschool purposes. Federal payrolls remained stable.

### *Little change in proprietors' income*

Total proprietors' and rental income remained substantially unchanged in the opening quarter of the year, with offsetting movements in the principal components. Business and professional income increased fractionally, rising to a \$28 billion annual rate, \$1½ billion higher than in the first quarter of 1955. This increase has to a large extent mirrored the rise in retail sales activity.

The net income of farm proprietors was lower than a year ago. Income in this sector had shown a temporary rise in the fourth quarter that was due largely to the fact that cotton was marketed later than usual last year. This rise was reversed in the first quarter as the total volume of marketings dropped to a more normal rate. Prices of farm products edged upward in the opening 3 months of the year, but for the first quarter as a whole averaged about the same as in the fourth.

The rise in transfer payments reflected continuing increases under the OASI and Korean war veterans' programs, and an advance in State unemployment compensation payments. The increase in the latter was in part due to the cutbacks in the automotive and related industries. The effect of the rise in transfer payments on the personal income flow was partly offset by increased contributions for social insur-

ance. These reflect the initial payments under the extended OASI coverage, enacted last year, for self-employed persons.

### *Uptrend in profits*

Corporate profits data for the final quarter of last year have now become available. They show a continued advance in line with the increased pace of business activity in that period. In particular, there was a marked rise in net income of manufacturing corporations; the relative gain for non-manufacturing industry was more moderate.

After adjustment for inventory gains and losses, before-tax profits in the fourth quarter of 1955 approached a seasonally adjusted annual rate of \$44 billion. For last year as a whole, the total was close to \$42 billion, a rise of nearly one-fourth from 1954 in this volatile segment of income. In the 1953-54 period the flow of profits was cut from more than \$40 billion in the second quarter of the former year to \$33 billion in the lowest quarters of 1954.

Since corporate inventory goods generally rose in price during 1955, book profits measured inclusive of inventory gains moved upward somewhat more rapidly than did the profits adjusted for this factor, registering a gain of close to 30 percent from 1954 to 1955. After-tax profits showed a similar percentage advance to approach \$22 billion last year.

While nearly all major industrial divisions recorded higher profits in 1955, the industry pattern of the expansion reflected in particular the recovery and growth of activity in manufacturing, which is predominantly corporate in structure. This division, which accounted for about half of all before-tax profits in 1954, contributed approximately two-thirds of the 1954-55 increase. Both the nondurable and the durable goods industries shared in the increase; the durables, which are characteristically the more volatile in terms of profits, showed the higher rate of rise.

Among the other industry divisions, transportation and mining in particular showed pronounced gains from 1954 to 1955. These were the industries which, with manufacturing, had been most affected by the 1953-54 business readjustment. Smaller percentage advances are indicated for the public utilities and finance divisions and for most other branches of nonmanufacturing industry.